

# CHAPTER 1

## HEALTHCARE SCENARIO IN INDIA

### LEARNING OUTCOMES

After reading this chapter, you should be able to:

- Explain the concept of Health
- Understand different segments of the Indian Healthcare Industry
- Describe Healthcare scenario in India
- Understand the growth drivers and opportunities in Indian Healthcare Industry
- Understand challenges in Indian Healthcare Industry

### INTRODUCTION

It is said that ‘Health is Wealth’. Good health is important to all of us to excel in whatever we do.

The Healthcare industry is truly putting into action the idea captured in the old saying ‘adding years to life and adding life to one’s years.’

Let us first understand the meaning of the word ‘Health’.

### WHAT IS ‘HEALTH’?

According to World Health Organization (WHO) ‘Health’ is defined as follows:

*Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.*

## **INDIAN HEALTHCARE INDUSTRY**

Healthcare in India comprises of following key segments:

### **HOSPITALS**

Government hospitals including primary healthcare centers, district, and general hospitals and

Private hospitals include nursing homes, mid-tier, top-tier, and super-specialized establishments.

**Pharmaceuticals:** Include the manufacturing, extraction, processing, purification, and packaging of chemicals to be used as medication.

**Diagnostic Services:** Comprising of businesses and laboratories that offer diagnostic services

**Medical Devices:** Includes establishments engaged in manufacturing and maintaining medical equipment for surgical, dental, ophthalmic, laboratory, etc. use.

**Medical Insurance:** Comprises insurance to cover hospitalization expenses, reimbursements

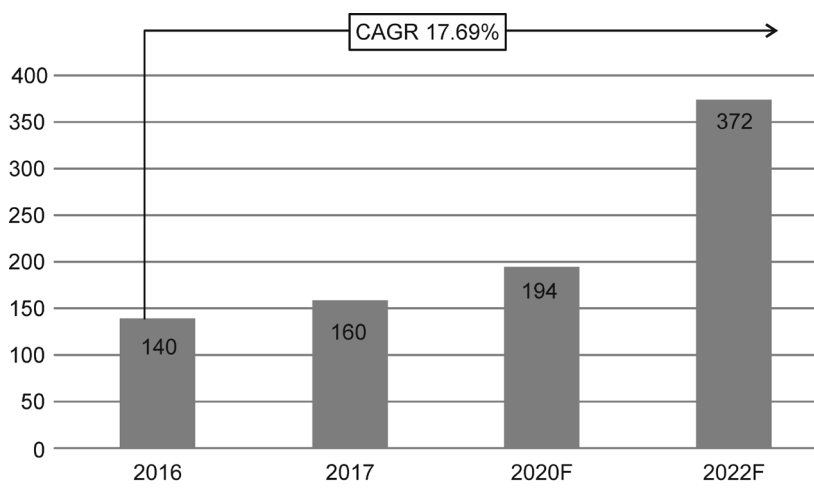
**Telemedicine:** Comprises of online or teleconsultation and is driven by the growing adoption of technology-led solutions in healthcare

**Over-The-Counter (OTC) medicines:** This includes consumer healthcare products that do not need a prescription and are bought by consumers on their own.

## **HIGHLIGHTS OF HEALTHCARE INDUSTRY IN INDIA**

The key highlights of the Indian Healthcare industry are as follows:

Indian Healthcare industry is estimated to reach US\$ 193.83 billion by 2020 and US\$ 372 billion (INR 27 trillion) by 2022 according to IBEF (INDIA BRAND EQUITY FOUNDATION) Healthcare Report, May 2021.



Note: F - Forecast  
Values are in Billion USD

**Fig. 1.1 Indian Healthcare Sector Growth Trend**

**Source: IBEF (INDIA BRAND EQUITY FOUNDATION) Healthcare Report, May 2021**

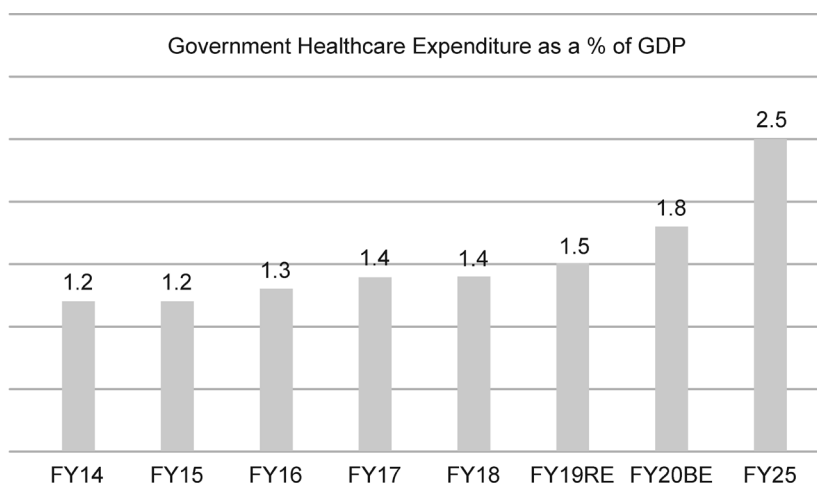
India is the world's second-largest populated country. From 1 billion in 2000 to 1.35 billion in 2015, the rising population demands continuous growth and improvement in healthcare facilities.

The largest contributor to the healthcare industry is the hospital sector which stood at INR 4 trillion (US\$ 61.79 billion) in 2017 and is expected to increase at a Compound Annual Growth Rate (CAGR) of 16-17 percent to reach INR 8.6 trillion (US\$ 132.84 billion) by 2022 (IBEF Healthcare Report, Dec 2019).

Nearly 70 percent of expenditure on health has to be borne by the patients and this pushes about 60 million Indians into poverty each year according to the Finance Commission report (The New Indian Express, Feb 28, 2021).

The percentage of government spending (including current and capital expenditure) in the health sector to GDP increased from 1.19 percent in 2015-16 to 1.33 percent in 2017-18 (Sustainable Development Goals National Indicator Framework Progress Report, 2020).

In Budget 2021, India's public expenditure on healthcare stood at 1.2% as a percentage of the GDP. The Government is planning to increase public health spending to 2.5% of the country's GDP by 2025 as shown in the chart below.



Note: BE - Budget Estimated, RE-Revised Estimate, World Bank, Economic Survey FY20

**Fig. 1.2 Government Health Expenditure**

**Source: IBEF (INDIA BRAND EQUITY FOUNDATION) Healthcare Report, May 2021**

The Pharmaceutical industry (including drugs & medical devices) is around US\$ 43 billion (Rs.3, 01,000 crores) and is currently having a growth rate of 7-8% in the drug sector and 15-16% in the medical device sector. Total exports (drugs and medical devices) are to the tune of US\$20 billion (Rs.1,47,420 crore) of which drugs form around 90% of the total exports (Annual Report 2019-20, Department of Pharmaceuticals, Government of India).

According to Edelweiss's report (2017), the overall size of the diagnostics industry is INR 434 billion, of which diagnostic chains account for ~15%. Of this, while pan-India players' share stands at 6%, that of standalone centers and hospitals constitutes 48% and 37%, respectively.

The medical devices market is expected to cross USD 11 billion by 2022 (IBEF Healthcare Report, Dec 2019).

Growth in teleconsultation peaked after the pandemic-induced lockdown and reached a market size of \$163 million in March 2021. According to a recent report by Praxis Global Alliance, a management consulting and advisory services firm, the online doctor consultation market is expected to be over \$800 million by FY2024 growing at 72 percent CAGR (Business Standard, Aug 21, 2021).

The Covid-19 pandemic has put healthcare on priority boosting the OTC market in India. With increasing health consciousness, greater urbanization, and higher levels of education and awareness there is rising demand for OTC products. Indian OTC market has been valued at approx. Rs.30,000 crores and is growing at a CAGR of 9% (Nicholas Hall's DB6 Global OTC Database – India, Dec 2020 MAT).

## HEALTH PARAMETERS

According to United Nations Population Fund Annual (UNFPA) Report 2019, life expectancy has gone up to 69 years and 6 percent of the population (1368.7 million) that is 82 million is above 65 years. The elderly population is likely to be 173 million by 2026 is going to significantly contribute to growing healthcare spending. The key health parameters are given in the table below.

**Table 1.1 Health Parameters**

Sr.No.	Parameter	2017
1	Crude Birth Rate (per 1000 population)	20.2
2	Crude Death Rate (per 1000 population)	6.3
3	Total Fertility Rate (Per woman)	2.2
4	Maternal Mortality Ratio (Per 100,000 live births)	122
5	Infant Mortality Rate (Per 1000 live births)	33
6	The expectation of life at Birth(years)	69
		(2013-17)
		Mid-year 2015

SRS, Registrar General & Census Commissioner, India

Source: HEALTH AND FAMILY WELFARE STATISTICS IN INDIA 2019-20, Ministry of Health and Family Welfare Government of India

## RISE IN NON-COMMUNICABLE DISEASES

In a recent report of the Indian Council of Medical Research (ICMR), titled India: Health of the Nation's States: The India State-Level Disease Burden Initiative (2017), it is observed that the disease burden due to communicable, maternal, neonatal, and nutritional diseases, as measured using Disability-adjusted life years (DALYs), dropped from 61 percent to

33 percent between 1990 and 2016. In the same period, the disease burden from non-communicable diseases increased from 30 percent to 55 percent.

## HEALTHCARE INFRASTRUCTURE

According to National Health Profile 2019, the total number of registered Allopathic Doctors (up to 2018) is 11, 54,686. The number of Dental Surgeons registered with Central/State Dental Councils of India up to 31.12.2018 was 2,54,283. The total number of registered AYUSH Doctors in India as of 01.01.2018 was 7,99,879. Given below is the latest data on the state-wise number of medical colleges and allopathic doctors.

**Table 1.2 State-wise Medical Colleges (as on 23-3-2020)**

State	Colleges
Andaman & Nicobar Islands	1
Andhra Pradesh	30
Arunachal Pradesh	1
Assam	6
Bihar	14
Chandigarh	1
Chattisgarh	9
Dadra and Nagar Haveli	1
Delhi	9
Goa	1
Gujarat	29
Haryana	12
Himachal Pradesh	7
Jammu & Kashmir	8
Jharkhand	6
Karnataka	60
Kerala	32
Madhya Pradesh	21
Maharashtra	55
Manipur	2
Meghalaya	1
Mizoram	1

*Contd...*

State	Colleges
Orissa	11
Pondicherry	8
Punjab	9
Rajasthan	22
Sikkim	1
Tamil Nadu	49
Telangana	32
Tripura	2
Uttar Pradesh	55
Uttarakhand	5
West Bengal	24
INI's	16
<b>Total</b>	<b>541</b>

INIs (AIIMS Delhi + AIIMS at Bhopal, Bhubaneswar, Jodhpur, Patna, Raipur, Rishikesh, Manglagiri, Nagpur, Rae Bareli, Gorakhpur, Kalyani, Deoghar, Bhatinda, Bibinagar and PGIMER Chandigarh. JIPMER Puducherry)

Source: MoHFW (ME-I) / Medical Council of India, HEALTH AND FAMILY WELFARE STATISTICS IN INDIA 2019-20

**Table 1.3 State-wise Number of Allopathic Doctors**

Name of State Medical Council	Total Number of Allopathic Doctors
Andhra Pradesh Medical Council	104886
Arunachal Pradesh Medical Council	1246
Assam Medical Council	24083
Bihar Medical Council	45795
Chattisgarh Medical Council	10020
Delhi Medical Council	26685
Goa Medical Council	4035
Gujarat Medical Council	71348
Haryana Dental & Medical Councils	15679
Himachal Pradesh Medical Council	3406
Jammu & Kashmir	16648
Jharkhand Medical Council	6926
Karnataka Medical Council	131903
Madhya Pradesh Medical Council	42600
Maharashtra Medical Council	188540

*Contd...*

<b>Name of State Medical Council</b>	<b>Total Number of Allopathic Doctors</b>
Medical Council of India	52667
Mizoram Medical Council	118
Nagaland Medical Council	141
Orissa Council of Medical Registration	24780
Punjab Medical Council	51685
Rajasthan Medical Council	48230
Sikkim Medical Council	1414
Tamil Nadu Medical Council	148216
Travancore Medical Council, Cochin	65672
Uttar Pradesh Medical Council	84560
Uttaranchal Medical Council	9348
West Bengal Medical Council	77664
Tripura Medical Council	1945
Telangana Medical Council	7932
<b>Grand Total</b>	<b>1268172</b>

Source: GOVERNMENT OF INDIA MINISTRY OF HEALTH AND FAMILY WELFARE DEPARTMENT OF HEALTH AND FAMILY WELFARE, July 2021

This data is extremely important in pharmaceutical marketing as it gives an idea of the universe of customers (doctors), which will be explained in later chapters of this book.

## **HEALTH INSURANCE**

Health insurance in India is a growing segment. The advent of private insurers in India saw the introduction of many innovative products like family floater plans, top-up plans, critical illness plans, hospital cash, and top-up policies. Ayushman Bharat Mission- National Health Protection Mission or Pradhan Mantri Jan Arogya Yojana (PMJAY) world's largest health scheme announced in the Union Budget 2018-19 is the latest initiative in expanding the health insurance net and targets 10 crores poor and deprived rural population. The Mission aims to provide a cover of Rs.5 lakh per family per year for secondary and tertiary care procedures.

### **CGHS - Categories of Beneficiaries**

Central Government Health Scheme (CGHS) Central Government Health Scheme (CGHS) is a health scheme for serving/retired Central Government employees and their families.



Presently approximately 38.5 lakh beneficiaries are covered by CGHS in 74 cities all over India and the endeavor is to include more cities to improve the accessibility of the services (<https://cghs.gov.in>).

### **Employees' State Insurance Scheme (ESIS)**

The Employees' State Insurance Scheme is an integrated measure of Social Insurance embodied in the Employees' State Insurance Act and it is designed to accomplish the task of protecting 'employees' as defined in the Employees' State Insurance Act, 1948 against the impact of incidences of sickness, maternity, disablement and death due to employment injury and to provide medical care to insured persons and their families. The Act now applies to over 7.83 lakhs factories and establishments across the country, benefiting about 2.13 crores insured persons/ family units. As of now, the total beneficiary stands at over 8.28 crores (<https://www.india.gov.in>).

### **Growth drivers and opportunities in Indian Healthcare Industry**

- 1. Demographic Trends:** Demographic trends like rising income, growing middle class, increase in life expectancy, a growing number of senior citizens (60+ years) are likely to boost the demand for healthcare as well as influence the nature of health services demanded in the years to come.
- 2. Epidemiological Trends:** Certain epidemiological trends like a dual burden of communicable as well as non-communicable diseases (NCDs) are presenting a huge opportunity for the healthcare industry.

India currently has around 60 million diabetics, a number that is expected to swell to 90 million by 2025 (IBEF Healthcare report, July 2019). It is estimated that every fourth individual in India aged above 18 years has hypertension (KPMG-FICCI report on Healthcare, Jan10,2021 & PwC report on funding Indian Healthcare, Dec16,2020). Nearly 5.8 million Indians die from NCDs (heart and lung diseases, stroke, cancer, and diabetes) every year (PwC report on Financing and Funding Indian Healthcare, Dec16,2020 & IBEF Healthcare report, July 2019). The rising NCD burden is estimated to cost India USD 4.58 Trillion before 2030 (IBEF Healthcare report, July 2019).

- 3. Demand-supply gap:** India currently has 8.6 doctors and 5 hospital beds respectively per 10,000 population (The Times of India,

Dec17,2020). While 70 percent of the population lives in rural areas, 80 percent of doctors work in cities (Dimple Vij, Int J Multidisciplinary, Mar 2019) and 69 percent of hospital beds are concentrated in urban areas (The Economic Times, May 12, 2021). An additional 3 million beds will be needed for India to achieve the target of 3 beds per 1,000 people by 2025 and another 1.54 million doctors and 2.4 million nurses will be required to meet the growing demand for healthcare in India as per NITI Aayog's report on Investment Opportunities in India's Healthcare Sector, March 2021.

4. **Medical Tourism:** India is fast emerging as an attractive destination for medical value travelers from across the globe. In particular, wellness tourism is growing faster than global tourism, as an increasing number of consumers are incorporating wellness into their travel plans.
5. **Telemedicine and adoption of digital technology:** According to a study (survey of consumers, doctors, and stakeholders from pharma companies and global EY research) by EY, in collaboration with the Indian Pharmaceutical Alliance (IPA) in September 2020, the domestic telemedicine market is expected to reach US\$ 5.5 billion by 2025. By April 2021, the Health Ministry's eSanjeevani telemedicine service crossed 5 million (50 lakh) teleconsultations since its launch, enabling patient-to-doctor consultations, from the confines of their home, and doctor-to-doctor consultations (IBEF Healthcare Report, May 2021).
6. **Government initiatives:** Several policy measures taken by the government are likely to drive the growth of India's healthcare sector. These include an increase in public health expenditure to 2.5% of GDP by 2025; implementation of several large-scale and ambitious initiatives like Ayushman Bharat; commitment from the Government to invest USD 200 Billion in medical infrastructure by 2024 as well as the roll-out of various schemes under the AatmaNirbhar Bharat Abhiyaan. The Performance-Linked Incentive (PLI) Scheme and the Scheme for Promotion of Medical Device Parks, in particular, offer significant financial incentives for investors to manufacture in India. A new PLI 2.0 scheme is also being prepared for the promotion of the in-vitro diagnostics market (NITI Aayog's report on Investment Opportunities in India's Healthcare Sector, March 2021).

## HEALTHCARE CHALLENGES

Despite the tremendous growth opportunity, there are several challenges. India ranks 154 among 195 countries in the healthcare index as per a recent survey by the Global Burden of Disease Survey (Global Burden of Disease Survey, 2016). A staggering 70 percent of the Indian population (around 700 million) lives in rural areas with restricted access to medical care. The lack of quality infrastructure, limited access to qualified medical functionaries, basic medication, and medical facilities limit the quality of health care that this population receives. Although there are many beneficial programs, they have not yielded the expected results due to the lack of systematic processes for proper data management and gaps in the implementation.

Some other challenges as stated in the PwC report (2018) are as follows:

### *The Indian healthcare system is reactive*

Patients don't act proactively and often visit a hospital only when the disease has reached an advanced stage. This can be attributed to a lack of awareness about diseases, care, and services available.

### *Absence of a healthcare regulatory body*

There is no healthcare regulatory body in India. In the absence of adequate regulations, there is concern among healthcare providers regarding the reliability of medical devices and thus practitioners prefer to use traditional medical devices. Although the Medical Devices Rules, 2017, became effective on 1 January 2018, their effectiveness is yet to be seen.

## SUMMARY

This chapter deals with defining Health & describing the Indian healthcare industry, its segments, size, opportunity, and challenges. Key points discussed in this chapter are as follows:

1. Indian Healthcare industry comprises of key segments like Hospitals, Pharmaceuticals, Diagnostic Services, Medical Devices, Medical Insurance, Telemedicine & OTC medicines.
2. Indian Healthcare industry is likely to grow from USD 160 billion in 2017 at a CAGR of 16 percent to reach USD 372 billion (INR 26 trillion) by 2022.
3. The hospital industry in India stood at INR 4 trillion (US\$ 61.79 billion) in 2017 and is expected to increase at a Compound

Annual Growth Rate (CAGR) of 16-17 percent to reach INR 8.6 trillion (US\$ 132.84 billion) by 2022.

4. The Pharmaceutical industry (including drugs & medical devices) is around US\$43 billion (Rs.3, 01,000 crores) and is currently having a growth rate of 7-8% in the drug sector and 15-16% in the medical device sector. Total exports (drugs and medical devices) are to the tune of US\$20 billion (Rs.1, 47,420 crores) of which drugs form around 90% of the total exports.
5. The overall size of the diagnostics industry is INR 434 billion, of which diagnostic chains account for ~15%. Of this, while pan-India players' share stands at 6%, that of standalone centers and hospitals constitutes 48% and 37%, respectively.
6. The medical devices market is expected to cross USD 11 billion by 2022.
7. The online doctor consultation market is expected to be over \$800 million by FY2024 growing at 72 percent CAGR.
8. Indian OTC market has been valued at approx. Rs.30,000 crores and is growing at a CAGR of 9%.
9. Life expectancy is around 69 years and the elderly population is likely to be 173 million by 2026 which is going to significantly contribute to growing healthcare spending.
10. The percentage of government spending in the health sector to GDP increased from 1.19 percent in 2015-16 to 1.33 percent in 2017-18. Out-of-pocket expenditure (OOPE) constitutes more than 60% of all health expenses.
11. The disease burden from non-communicable diseases has increased from 30 percent to 55 percent during the period 1990 to 2016.
12. The number of registered Allopathic Doctors is 12,68,172, the number of Dental Surgeons is 2, 54,283 and the number of AYUSH Doctors is 7, 99,879.
13. Government schemes on healthcare expenditure include CGHS, ESIS, Ayushman Bharat Mission, etc.
14. The healthcare challenges are the lack of quality infrastructure, limited access to qualified medical functionaries, basic medication, and medical facilities, especially in rural areas.

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